

Exhibit 12



COMISIÓN DE HACIENDA, ASUNTOS FEDERALES
& JUNTA DE SUPERVISIÓN FISCAL

S E N A D O D E P U E R T O R I C O

HON. JUAN ZARAGOZA
PRESIDENTE

NICK PASTRANA
DIRECTOR EJECUTIVO

March 16, 2021

BY ELECTRONIC MAIL: michael.juarbe@promesa.gov

Mr. Michael Juarbe Laffitte
Legislative Relations Advisor
Financial Oversight & Management Board for Puerto Rico
PO Box 192018
San Juan, PR 00919-2018

Re: Request for Information – HB 120

Dear Mr. Juarbe,

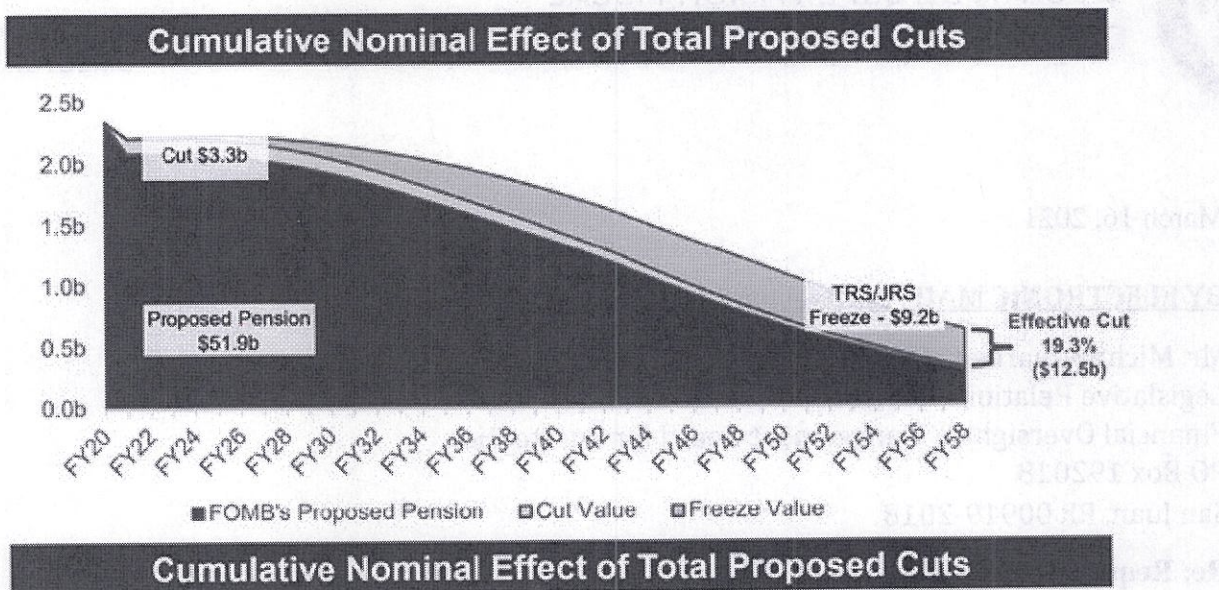
I hope this message finds you well. As discussed previously, we are sharing our current estimates for the FACSIR, taken from the numbers provided to us by proponents of HB 120 (henceforth "proponents"), attached.

Our goal is to estimate the FACSIR's funding ratio. In order to do this, we need both the Actuarial Accrued Liability (AAL) and the Actuarial Accrued Assets (AAA) estimates. The estimates provided to us by the proponents of HB 120 did not have an estimated Actuarial Accrued Liability (AAL), as these numbers are not in the public domain. During the presentation you shared with us on March 4, 2021, we noticed that you showed the AAL ranging between \$45-49 billion. We would highly appreciate the sharing of AAL yearly schedules covering the period modeled in the attached estimate with the Committee.

In addition, even though we have the Net Pension Assets for the FACSIR available to us (see attached table), proponents of HB 120 argue that we need to incorporate a multiplier in order to account for the total value of the funds, the so-called Actuarial Accrued Assets, or AAA. We asked the proponents of HB 120 about this assumption; and they contend this is common practice in state pension systems in order to the funding ratio estimates.

We would also like to bring attention to a possible discrepancy in funding obligations between numbers previously released by the FOMB and the data shared with us regarding HB 120.





Source: Commonwealth Fiscal Plan Risk (September 17, 2019) FY 2033-2058 benchmarked against p.
32:<https://emma.msrb.org/ES1313543-ES1026175-ES1428126.pdf>


In Exhibit 17, obligations only reach \$2.5 billion for a couple of years; however, according to the data provided to us by the FOMB regarding HB 120, we saw that obligations were over \$2.6 billion during the first 17 years of the fund.

Proponents of HB 120 have included a list of all sources used in constructing their estimates, including the FACSIR's estimated benefit payment. You can find them on tab #2 of the Excel sheet, titled "Sources".

Considering all of the above, we are sharing the proponent's estimates and assumptions with you so that you can help us assess whether their estimates are correct; and, if they are not, the ways in which their assumptions do not hold, before we are able to calculate the FACSIR's ultimate funding ratio.

Thank you for your time and consideration.

Respectfully,


Nick Pastrana
Executive Director